Research Paper

Consumer Buying Behaviour towards Life Insurance Products in Rural Market 'A Case Study of Nalgonda District, Telangana State

MANAGEMENT

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ABSTRACT

India is a nation where the purchase of Life insurance products is still less than industrialized countries. This has led to a significant unfamiliar prospective of life insurance in India. Number public and private providers offering life insurance products, one continues to surprise why the majority of Indians does not have any life insurance policy. This resulted into discover what factors play very important role in purchase of life insurance policies. The objectives of the study were to evaluate the factors influencing consumer perception, attitude towards life insurance and to evaluate levels of awareness among different demographic variables groups of customers. Total 200 sample respondents used for this study; item to total correlation was applied to check the consistency of the questionnaire. The measures were standardized through computation of reliability and validity tests. Factor analysis was applied to identify the underlying factors. SMART PLS (Partial least squares) model was applied to find out the relationship between perception, attitude, and awareness levels of the customers and purchase intention. The findings of this study provide important insights to the insurance companies in designing their product-mix. Therefore, consumers who intend to buy the insurance products will have a list of factors and thus can take an informed decision in selecting an insurance product. The study will also assist in improving the market share of companies and further help in the development of the insurance sector. The recommendations are that the insurance companies should concentrate on consumers' security features, information, marketing activities and process.

1. INTRODUCTION:

Life is full of risks and uncertainties since, we are social human beings, and we have certain responsibilities too to minimize these risks. Indians are emotional and rational in their buying decisions. They believe in future rather than the present and desire to have a better and secured future. In this direction, life insurance services have its own value in terms of serving as savings, investment and risk protection.

Literature reviewed has shown that life insurance business has a high growth rate in India on the other hand, relatively low penetration of the sector indicates that there is still a considerable unfamiliar potential. Increasing awareness and consciousness of Indians about life assurance and the developments in the finance sector are the main triggers of the expected future purchases. On the other hand, life insurance companies having a bad reputation in terms of reliability and the socio-cultural characteristics of Indian society such as being fatalistic and relying on family for help in emergencies are the underlying resources of negative attitude towards buying life insurance. The function of insurance in its various forms is to protect against the heavy financial impact to anticipated misfortune by spreading the loss among many who are exposed to the risk of similar nature. While it is not possible to predict which individuals among the many participants are likely to be the victims of misfortunes. It is often possible to forecast the quantum of the loss which the group as a whole may suffer. In other words, people who are exposed to the same risks come together and agreed that if one of the members suffers a loss then others will share the loss and make good the loss to the person who lost. Life insurance is the business of affecting the contracts of insurance upon human life including any contract whereby the payment of money is assured on death or the happening of any contingency dependent on human life and any contract which is subject to the payment of premiums for a term dependent on human life. However, very little research has been conducted and published on either customer or the supply side of the Indian life insurance market. This study focuses on the customer side of the Indian life insurance market and their purchasing behaviour.

2. REVIW OF LITRETURE:

Ramakrishna Reddy and Raghunadha Reddy (2000) attempt to study the issues and relate conclusion on certain matters like whether premium rates reflect the life expectancy or the policy designed only for government employees or semi - government employees or reputed commercial firms etc. The spirit of the policyholders to know about the working, drawbacks and short comings of the Life Insurance Company is discussed. The study reveals that the rates of premium charged under postal life insurance are less and cheaper compared to the rates of premium of Life Insurance Company.

Malliga, R. (2000) in her study examines the association between Socio Economic Status, Personality Traits of the Agents and the Performance in Tirunelveli, Tuticorin and kanyakumari districts. Further, the impact of marketing strategies and attitude of the agents towards the organization and their performance is studied with a sample of 100 respondents using stratified random sampling. The results of the data show that performance of the agents in terms of number of policies, the Sum Assured and the total commission received was found to be dependent on the Socio-economic status. There is a significant correlation between the marketing strategies of the agents and their performance.

Vijay Srinivas (2000) in his article entitled, "How Returns Linked Insurance Products can be popularized?" emphasized that the insurers should link insurance products with other benefits. Low incomes, social structure, lack of understanding among the public, lack of availability of new schemes are the main reasons for low productivity for insurance in India.

3. OBJECTIVES OF THE STUDY:

- To study the impact of various factors affecting the rural consumer Purchase intention towards life insurance products.
- To evaluate the cause and effect relationship among perception, attitude, awareness and Purchase intention of the customers in rural market and construct structure equation model.

4. HYPOTHESES:

H_0: There is no significant difference between demographic variable groups of respondents and their perception towards life insurance products.

H0: Purchase intention of life insurance product is independent of customers' perception, attitude and awareness levels about the insurance products.

5. RESEARCH METHODOLOGY:

The present study analysis starts with validity of the scale using Cronbach's alpha. Since the Cronbach's alpha value is more than 0.7 for the all four dimension of the questionnaire, and the scale was found to be reliable and valid. Based on validity of the scale factor analysis using Varimax rotation was run to extract the factors form the questionnaire. After running the factor analysis ten factors were extracted. SMART PLS was used to construct the structure equation model.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.752 and Cronbach's Alpha for 47 items was .085

Factors extracted from factor analysis

Notation	Description	Notation	Description
P1	Benefits	A4	Risk
P2	Security	AW1	Marketing
A1	Budget	AW2	Process
A2	Trust	IN1	Future purchase
A3	Information	IN2	Motivation to purchase

Partial Least Squares (PLS) model was analysed and interpreted in two stages. In the first stage measurement model was assessed and in the next stage structural model was evaluated. The measurement model analyzes the association among the manifest variables (Observed items) and latent variables (Factors). The measurement model was tested through assessment of validity and reliability of the construct measures in the model. This ensured that only reliable and valid constructs measures were used for assessing the nature of the relationships in the overall model (Hulland, 1999). Structural model specifies relations between latent constructs. Estimating and analyzing the path coefficients between the constructs test the structural model. Path coefficients are indicators of the models' predictive ability.
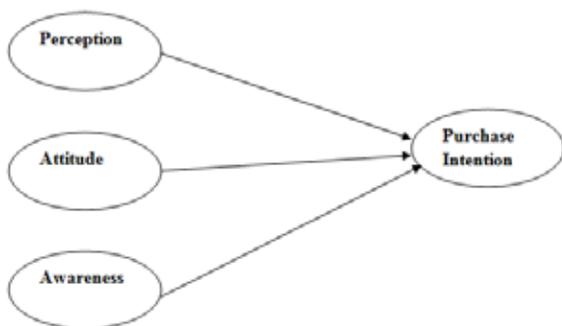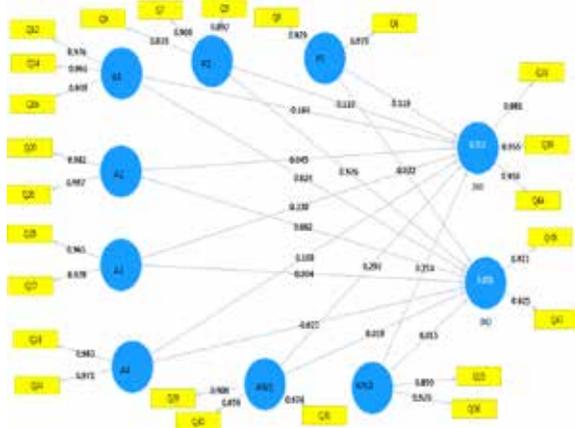
Figure 1: Conceptual Model:

Figure 2: Path model signify resultant relationships, coefficients and values of loadings

In Partial Least Squares, loadings of respective factors on their respective latent constructs are examined to assess the reliability of the factors (Hulland, 1999). The final model was designed after dropping out insignificant factors having factor loadings of less than 0.5; the model was analyzed by using Smart PLS.2.0.

In PLS, individual factor reliability was analysed by examining the loadings of respective factors on their respective constructs (Hulland, 1999). The higher loadings imply that there is more shared variance between the construct and its measures than error variance. In the present study the criteria of 0.05 recommended by Hulland (1999) was adopted for the retention of factors. The factor loadings from the PLS measurements are presented in the above figure 2. The factor loadings, Cronbach's alpha, Composite reliability and Average Variance Extracted (AVE) values calculated using PLS algorithm are tabulated in table: 1

Table 1: Factor loadings, Cronbach's alpha, Composite reliability and AVE

Lock	Factor loadings	Cronbach's alpha	Composite reliability	AVE
Benefits		0.947	0.974	0.950
Easy settlements	0.970			
Insurance offers future survival benefits	0.979			
Security		0.855	0.968	0.775
Insurance provides family security	0.892			
Insurance provides risk coverage	0.908			
Budget		0.956	0.971	0.918
Insurance product is not expensive	0.976			
Insurance easy to buy	0.961			
Product is suitable for my budget	0.938			
Trust		0.968	0.984	0.969
Insurance firms are easy to trust	0.982			
Insurance agents are easy to trust	0.987			
Information		0.887	0.945	0.896
Product advertisements are informative and attractive	0.965			
Easy to get information about insurance policies through agents	0.928			
Risk		0.952	0.976	0.954
Good recovery if risk occur				
Insurance reduces risk				
Marketing activities		0.762	0.858	0.672
Advertisements presented by insurance company	0.908			
Features life insurance policies	0.859			
Company brand image	0.674			
Process		0.747	0.885	0.793
Documents required to claim the policies	0.850			
Process required to take the policy	0.929			
Future purchase		0.962	0.975	0.930
I would like to purchase the same policy in the future	0.981			
I purchase further policies from the same company	0.955			
I suggest friends /family to buy the same policy from the same company	0.956			
Motivation to purchase		0.827	0.920	0.852
The service quality of the company affects my repeat purchasing behaviour	0.921			
My family motivates my insurance purchasing a lot	0.925			

Structural Model Analysis:

In Partial Least Squares (PLS) method, structural model and hypothesis were tested by computing path coefficients (β). Because PLS does not require a normally distributed data it is evaluated with R-squared calculation for dependent latent variables (Cohen, 1988) and average variance extracted (Fornell and Larchner, 1981). The first item that PLS provides to determine how well the model fits the hypothesized relationship is the squared multiple correlations (R^2) for each dependent construct in the model.

The R^2 measures a constructs percent variation that is explained by the model (Wixom and Watson, 2001).

Table2 shows hypothesized path coefficients along with their bootstrap values, 'T' and 'P' values.

Path	Original Sample	T Statistics	P Values
Benefits->Future purchase	0.119	0.595	0.552
Benefits->Motivation to purchase	-0.032	0.629	0.530
Security->Future purchase	0.119	1.148	0.251
Security->Motivation to purchase	0.976	75.581	0.000
Budget->Future purchase	-0.184	0.943	0.346
Budget->Motivation to purchase	0.024	0.467	0.641
Trust->Future purchase	0.045	0.549	0.583
Trust->Motivation to purchase	0.002	0.108	0.914
Information->Future purchase	0.330	3.443	0.001
Information->Motivation to purchase	-0.004	0.155	0.877
Risk->Future purchase	0.108	1.075	0.283
Risk->Motivation to purchase	-0.023	0.755	0.450
Marketing activities->Future purchase	0.293	2.928	0.003
Marketing activities->Motivation to purchase	0.010	0.351	0.725
Process->Future purchase	0.214	1.971	0.046
Process->Motivation to purchase	0.015	0.518	0.604

Source: Primary data

The relationship between benefits of the insurance product and future purchase intention of the rural customers was **insignificant** with P value 0.552 and t = 0.595 indicating that the benefits associated with insurance products has direct positive insignificant influence on the future purchase intention of rural customers towards life insurance products.

The relationship between benefits of the insurance product and motivation to purchase intention of the rural customers was **insignificant** with P value 0.629 and t = 0.530.

The correlation between security features of life insurance and future purchase intention of the rural customers was **insignificant** with P value 0.251 and t = 1.148.

The association between security and motivation to purchase was **significant** with P value 0.000 and t = 75.581.

The correspondence among budget and future purchase was **insignificant** with P value 0.346 and t = 0.943 signifying that the budget has direct negative insignificant influence on the future purchase.

The association between budget and motivation to purchase was **insignificant** with P value 0.641 and t = 0.467.

The correlation between trust and future purchase intention was **insignificant** with P value 0.583 and t = 0.549.

The association between trust and motivation to purchase was

insignificant with P value 0.914 and t = 0.108.

The association between information and future purchase intention of the rural customers was **significant** with P value 0.001 and t = 3.443 representing that the information has direct positive significant influence on the future purchase intention.

The relationship between information and motivation to purchase was **insignificant** with P value 0.877 and t = 0.155 indicating that the information has direct negative insignificant influence on the motivation to purchase life insurance products.

The correlation between risk and future purchase intention was **insignificant** with P value 0.283 and t = 1.075 indicating that the risk has direct positive insignificant influence on the future purchase intention.

The association between risk and motivation to purchase was **insignificant** with P value 0.450 and t = 0.755.

The correlation between marketing activities and future purchase intention of the rural customers was **significant** with P value 0.003 and t = 2.928.

The association between marketing activities and motivation to purchase was **insignificant** with P value 0.725 and t = 0.351 signifying that the marketing activities of life insurance products have direct positive insignificant influence on the motivation to purchase life insurance products.

The association between process and future purchase intention of the rural customers was **significant** with P value 0.046 and t = 1.97 indicating that the process had direct positive significant influence on the future purchase intention.

The relationship between process and motivation to purchase was **insignificant** with P value 0.604 and t = 0.518 signifying that the process requisite with insurance products have direct positive insignificant influence on the motivation to purchase life insurance products.

Summary: Out of the sixteen paths used to connect the measures in the structural model, four paths were supporting the hypotheses that (1) security features of the insurance products has direct positive influence on the motivation to purchase the life insurance products in the rural market. (2) Information about the life insurance products has direct positive persuade future purchase of life insurance products. (3) Marketing activities of the life insurance products has direct influence on the future purchase intention of the rural customers. (4) Process required to have life insurance policy had a direct positive influence on future purchase intention of the rural customers. This clearly indicates that purchase intention of the life insurance products influenced by security features, information, marketing activities, and process. However, the remaining paths don't support the hypotheses.

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